92-05004/

ANNUAL REPORT

PRINCE EDWARD ISLAND LENDING AUTHORITY

(1990 - 1991)

Established by an Act of the Provincial Legislature in June, 1969, the Provincial Lending Authority provides capital and operating credit to the primary producers of the Province, particularly those of smaller size, which may reasonably be expected to prove successful but which are unable to obtain financing elsewhere on reasonable terms and conditions.

PRINCE EDWARD ISLAND LENDING AUTHORITY

Post Office Box 1420

National Bank Tower

134 Kent Street

Charlottetown, P.E.I.

C1A 7N1

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PRINCE EDWARD ISLAND
LENDING AUTHORITY

OFFICE OF THE GENERAL MANAGER

LETTER OF TRANSMITTAL

July 9, 1991

The Honourable Gilbert R. Clements
Minister Responsible for the Lending Authority
Walter R. Shaw Building
P.O. Box 2000
Charlottetown, P.E.I.
C1A 7N8

Honourable Sir:

On behalf of the Board of Directors, I am pleased to submit the Annual Report of the Prince Edward Island Lending Authority for the fiscal year ended March 31, 1991.

As required by the Lending Authority Act and Regulations, the report includes Financial Statements and the Auditor's Report

Respectfully submitted,

Everett R. MacFarlane
Acting Chairperson

"A CROWN CORPORATION"

NATIONAL BANK TOWER, 134 KENT STREET
P.O. BOX 1420, CHARLOTTETOWN, P.E.I., CANADA C1A 7N1 TEL (902) 368-6200 FAX (902) 368-6201

CORPORATE DIRECTORY
AS OF MARCH 31, 1991

EXECUTIVE

Ms. Peggy M. Coady
Chairperson of the Board
Small Business, Charlottetown

Everett MacFarlane
Vice-Chairperson
Tourism, Charlottetown

* **William M. Jay**
Secretary-Treasurer and
General Manager

MEMBERS OF THE BOARD

Clayton Bulpitt
Roseneath
Agriculture

Daniel MacLean
Tyne Valley
Agriculture

Wayne Harris
Murray Harbour
Fisheries

Warren Ellis
Mount Royal
Agriculture

Sheldon Hume
Murray Harbour
Member-At-Large

Ms. Dale Dewar
General Manager
Agricultural Development Corporation

Douglas A. Cameron
Deputy Minister
Department of Fisheries & Aquaculture

Dr. Gordon MacEachern
Deputy Minister
Department of Agriculture

W. Philip MacDougall, C.A.
Deputy Minister
Department of Finance

Lawrence M. MacPherson
Deputy Minister
Department of Tourism & Parks

***Non-Voting**

CORPORATE PROFILE

PRINCE EDWARD ISLAND LENDING AUTHORITY

(1990 - 1991)

The Prince Edward Island Lending Authority is empowered to make loans to approved applicants in the following sectors:

AGRICULTURE

- to provide Operating Credit to farmers required to meet annual cropping expenses such as payment for seed, fertilizer, spray materials, fuels, repairs to machinery, labour, etc. This type of credit is repayable in full upon sale of the crop.
- to provide funds for the purchase of livestock as follows:

  for beef cows — loans may be obtained for five years repayable in annual instalments, the first payment being interest only, interest plus principal for the remainder of the term;

  for feeder cattle — the full amount of the loan obtained will be due when the cattle are sold, but in no case longer than a period of eighteen months;

  for dairy cows — loans may be obtained for a period up to five years and be repayable in monthly or annual instalments;

  for breeding ewes — loans may be obtained for a four year period repayable in annual instalments;

  for sows — loans may be obtained for a three year period repayable in semi-annual or annual instalments;

  for feeder hogs — the full amount of the loan will be due when the hogs are marketed.
- to provide Capital Loans for: the purchase of farm lands; recapitalization of debt; and farm equipment, storage facilities, erection and/or repairs to barns, land improvements, etc. Maximum term up to 30 years.

FISHERIES AND AQUACULTURE

- to provide Operating Credit to assist seasonal preparation costs prior to the start of the fishing season. These advances are repayable during or at the end of the fishing season, and in Aquaculture not later than 24 months after the date on which the credit was granted.
- to provide Capital Loans for the purchase of vessels, engines, and related equipment, etc. Maximum term on new vessels is fifteen years.

TOURISM

- to provide Operating Credit to assist in seasonal preparation costs prior to the start of the tourist season. These advances are repayable in full during or at the end of the tourist season.
- to provide Capital Loans for the establishment of and/or expansion of tourist facilities, or for the acquisition of existing facilities and for consolidation of existing debt. Maximum term up to 30 years.

SMALL BUSINESS

- to provide Capital Loans to Small Business for such purposes as debt consolidation, expansion, refurbishing, purchase of fixed assets, etc. Maximum loan limit $500,000. Loans extended under this sector must be secured by a first real property mortgage, or a first fixed charge debenture. Application fee of $150.00 which is nonrefundable is applicable.
- for the purpose of this loan program Small Business is defined as a person, partnership or corporation having not more than 100 employees and annual gross sales of not more than 5 million dollars in the preceding fiscal year.
- applicants must be based in the Province and in the case of corporations incorporated under the Companies Act of Prince Edward Island.

EXCLUDED

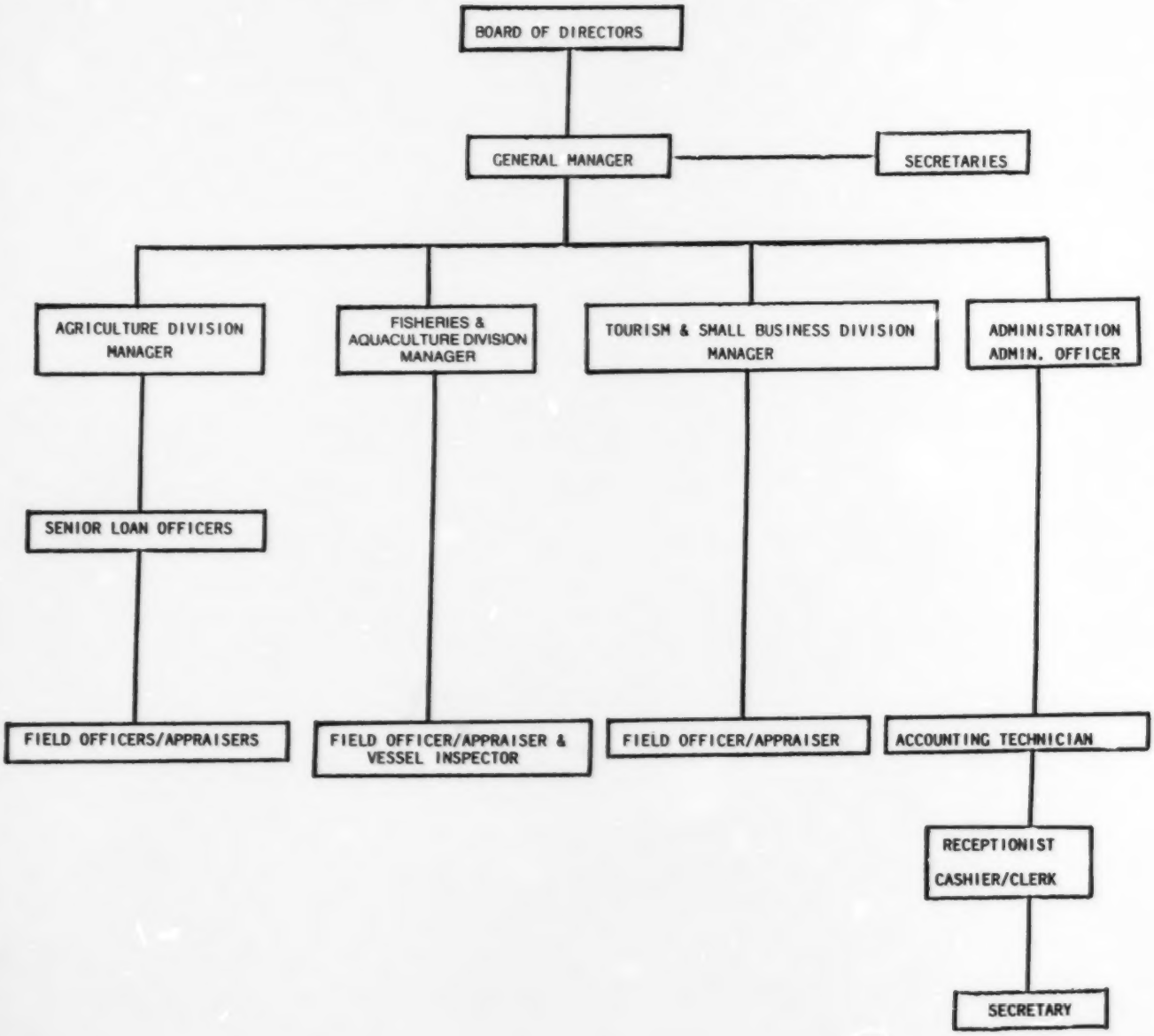
- nonresident persons or partnerships, companies not incorporated in the Province, franchise-owned operations, licensees, apartment rental operators, manufacturers and processors.

INTEREST RATES

- interest rates on Capital Loans and Operating Credit will be determined from time to time and will be based on the cost of money to the Lending Authority.

ORGANIZATIONAL CHART

PRINCE EDWARD ISLAND LENDING AUTHORITY



REVIEW

PRINCE EDWARD ISLAND LENDING AUTHORITY

(1990 - 1991)

The Lending Authority, which was established in 1969 as a Crown Corporation and which commenced operations in April, 1970, was designed to assist farmers, fishermen, tourist operators and small business persons in the province, particularly those operating on the small to medium scale to obtain financing, on reasonable terms and conditions which would not normally be available from other sources.

It is generally agreed that the economic well-being of the province depends, to a large extent, on the continued growth of our primary industries. In assisting primary producers, tourist operators, and small business persons, the Lending Authority is fulfilling an important role and is one of the economic vehicles that assist in this much needed and continued growth.

The Lending Authority's activity includes administration of the loan portfolios of the lending agencies of the Government of Prince Edward Island existing prior to April, 1970.

The Authority, now in its twenty-second year of operation, has been accepted by the persons it was established to assist and by the business community as a whole.

ANNUAL REPORT OF THE GENERAL MANAGER

It is both a privilege and a pleasure for me to present this, my twenty-second and final, Annual Report as General Manager.

At the Third Session of the Fifty-Eighth General Assembly of the Legislature of Prince Edward Island, Royal Assent was given to Bill #54, an act to establish "The Prince Edward Island Lending Agency". This new agency will be the successor to the Prince Edward Island Lending Authority, effective January 1, 1992.

The year under review, despite a National Recession, was both a productive and busy year for the Authority with 299 applications for loans and credit received in all divisions for a total value of $29,241,249. While the applications received were 80 less than received the previous year, the dollar value of the applications was approximately the same. A complete report on the applications received and the disposition of those applications will be found on Page 10 of this Annual Report. It will be noted that 234 of the 299 applications received were approved and loan offers extended totalling $20,902,502.

As in previous years, we will expand on our report by loan divisions as follows:

AGRICULTURAL DIVISION

Despite the Recession, and various difficulties experienced in the agricultural industry during the past year, including the PVYn Virus in seed potatoes, this Division accepted 157 loan and credit applications totalling $15,357,594. representing an increase in applications of 13 over the previous fiscal year, and in dollar value, approximately $3,900,000. Of this number, 133 applications for loans and credit totalling $12,684,514. were approved.

The loan portfolio, despite the various problems occurring during the past year, is in good standing and no foreclosures were instituted, and none is foreseen in the immediate future. While there are still several problem loans in this portfolio, the Division Manager is confident that suitable arrangements can be made in these cases.

As noted in our last Annual Report, structural changes which have been taking place in the agricultural industry in the Province over the past several years have now reached a point where most Island farms are being effectively managed and, in most cases, these farms have taken up the challenge of producing for the new global market in which they must now compete.

The challenge now for the successor agency is to find new and innovative methods of financing with which to support this very important industry as it takes up the challenge of producing for the global market, which it must do to not only survive, but to prosper.

FISHERIES AND AQUACULTURE DIVISION

The Fisheries and Aquaculture Division experienced a decline in activity during the past fiscal year receiving 75 loan applications for a total dollar value of $4,382,000. The industry, during the past year, experienced some difficulties including reduced landings, lower prices, and problems with quotas on ground fish.

Despite these problems, the portfolio is in good standing and no vessels were "arrested" during the year, and the Division Manager advises that he foresees no major problems in the management of the portfolio during the coming year.

Sixty-two applications were approved for a total of $3,236,660. which included applications for the construction and/or purchase of 15 new inshore/nearshore fishing vessels.

TOURISM DIVISION

This Division accepted 43 applications during the year for a total value of $6,151,400., which represents a small decrease from the previous year when 50 applications were received for a total value of $7,522,500.

During the past year, this industry experienced a considerable slowdown, due mainly to the economic recession both in Canada and the United States and, according to the Conference Board of Canada at its Annual Outlook Conference in Halifax in February of 1991, the industry is in for another slow year due to the continued slowdown of the economy and the implementation of the Goods and Services Tax.

Several problem loans were disposed of by way of Foreclosures and/or Receiverships and, at the present time, the Division Manager is endeavoring to sell several of these properties which the Authority has in its inventory.

It is obvious that the tourist industry must not only undertake an enhanced marketing program, but it must also endeavor to stem the growth of new facilities in roofed accommodations, food establishments, and attractions, as the industry now stands the risk of being overbuilt in its infrastructure which could have serious consequences for the entire industry in the future.

SMALL BUSINESS DIVISION

This Division received 24 applications totalling $3,350,250. Of these applications, 14 were approved in the amount of $1,730,828.

There has been no substantial growth in this division over the past several years. However, it can be anticipated that, if the recession which we are now experiencing in our economy continues, many small business operators may have to consider restructuring of their business financing which could involve an increase in the number of term loans extended in this division.

There were no Foreclosures and/or Receiverships and no losses were experienced in this division during the year, and the Division Manager reports that the portfolio is in good standing.

TO CONCLUDE THIS OUR TWENTY-SECOND AND FINAL ANNUAL REPORT we look back with some pride, and a great deal of satisfaction in that over a 22 year span the Lending Authority has extended loans and credit to the primary industries of Prince Edward Island in the total amount of $261,527,700. and in doing so has experienced a loss ratio of only 1.57%. If one applies the economic multiplier effect to the total of loans approved, then it is evident that the Authority has been responsible for the injection of over one-half billion dollars through the economy of this Province which, surely, has had a positive overall economic impact over the past 22 years.

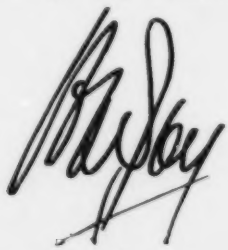
We have indicated to Government through our presentation to the Strategic Overview Process 1991 that, in our opinion, the Province through the Lending Authority has played and must continue to play through its successor agency a very essential role in the financing of the primary industries of the Province - agriculture, fisheries and tourism.

It is unrealistic to believe that these industries, particularly agriculture and fisheries, could be adequately financed by the private sector. These are high-risk industries and the chartered banks have shown repeatedly over the years that they will restrict their involvement in these industries to what might be classified as "the cream of the crop". It must be borne in mind that the banks and other conventional lending agencies are using depositors' funds and must do so in a most constructive manner so as not to jeopardize these funds or to restrict profits through bad debt losses.

There were no changes in our staff complement during the year and we would certainly be remiss if we did not in this Annual Report recognize the untiring efforts of our staff who are totally committed to the well being of the Corporation. We wish them every success in the future.

IN CONCLUSION, I am pleased to report that the management and staff of the Authority continue to enjoy an excellent rapport with the Chairperson and Members of the Board and with the Minister Responsible, the Hon. Gilbert R. Clements, and also with the various departments and agencies, both of the Federal and Provincial Governments, and with the business community at large with whom it must co-operate.

Respectfully submitted,



William M. Jay
General Manager

STATISTICAL INFORMATION

APRIL 1, 1990 — MARCH 31, 1991

(with comparative figures for fiscal 1989/90)

	1989/90	1990/91
Total Number of Applications Received		
Agriculture	144	157
Fisheries & Aquaculture	163	75
Tourism	50	43
Small Business	22	24
	379	299
Total Dollar Value of Applications Received		
Agriculture	$11,455,882	$15,357,594
Fisheries & Aquaculture	7,536,764	4,382,005
Tourism	7,522,486	6,151,400
Small Business	3,631,925	3,350,250
	30,147,057	29,241,249

Disposition of Applications
Loan and Credit Offers Approved

AGRICULTURE	Term Loans	56	2,842,952	44	2,223,535
	Operating Credit	48	6,633,555	89	10,460,979
		104	9,476,507	133	12,684,514
FISHERIES & AQUACULTURE	Term Loans	115	2,660,713	49	1,132,030
	Operating Credit	17	3,251,983	13	2,104,630
		132	5,912,696	62	3,236,660
TOURISM	Term Loans	30	2.938,606	21	3.115,500
	Operating Credit	3	134,999	4	135,000
		33	3,073,605	25	3,250,500
SMALL BUSINESS	Term Loans	15	1,993,434	14	1,730,828
TOTAL APPROVED		284	20,456,242	234	20,902,502
Applications Withdrawn or Declined		95	9,690,815	65	8,338,747
TOTAL		379	30,147,057	299	29,241,249

STATEMENT OF INTEREST EARNED — ALL DIVISIONS

FOR THE PERIOD APRIL 1, 1990 — MARCH 31, 1991

Agricultural Loans	$2,030,844
Fisheries & Aquaculture Loans	844,277
Tourist Loans	2,090,504
Small Business Loans	1,060,619
Working Capital Credit	584,166
	6,610,410

STATEMENT OF LOAN PORTFOLIOS ASSUMED

FOR THE PERIOD APRIL 1, 1990 — MARCH 31, 1991

Farm Establishment Board	
Balance March 31, 1990	$168,985
Payments Received April 1, 1990 — March 31, 1991	58,332
Balance March 31, 1991	110,653

SCHEDULE OF LOANS APPROVED

APRIL 15/70 — MARCH 31/91

YEAR ENDING	Agriculture Capital	Fisheries & Aquaculture Capital	Tourism Capital	Small Business Capital	Working Capital	TOTAL
March 31/71	13	67	31	2	*156	269
	276,539	145,502	374,960	3,379	1,642,800	2,443,180
March 31/72	13	63	24	12	*131	243
	274,700	144,099	220,548	865,500	1,483,228	2,988,075
March 31/73	47	46	35	3	95	226
	669,564	185,239	901,927	51,145	1,272,435	3,080,310
March 31/74	46	94	20	4	87	251
	463,854	465,092	339,560	606,639	1,591,781	3,466,926
March 31/75	107	107	21	12	245	492
	906,246	365,051	529,189	278,950	2,554,176	4,633,612
March 31/76	44	54	14	12	135	259
	510,255	340,481	375,883	226,469	3,053,306	4,506,394
March 31/77	90	75	20	11	127	323
	905,663	295,978	954,247	619,107	3,782,268	6,557,263
March 31/78	107	69	15	10	93	294
	1,571,843	374,230	564,145	679,030	3,046,371	6,235,619
March 31/79	124	84	19	11	141	379
	1,655,196	910,515	1,119,950	830,067	4,875,293	9,391,021
March 31/80	176	103	27	16	104	426
	4,128,794	1,243,816	1,250,735	545,690	4,873,681	12,042,716
March 31/81	170	76	22	15	111	394
	5,215,462	865,635	1,701,220	900,296	6,691,154	15,364,767
March 31/82	133	102	17	11	71	334
	3,831,035	1,489,457	719,872	734,312	4,687,811	11,462,487
March 31/83	142	128	44	5	90	409
	5,812,452	1,834,025	2,366,520	203,375	7,593,698	17,810,070
March 31/84	145	98	47	46	104	440
	7,688,410	1,485,077	4,390,855	5,956,250	7,768,500	27,289,092
March 31/85	61	78	23	26	67	255
	2,348,829	1,735,672	3,331,050	2,495,845	5,583,535	15,494,931
March 31/86	63	85	34	22	52	256
	2,546,290	1,462,534	4,345,150	2,412,250	6,904,917	17,671,141
March 31/87	73	85	48	16	62	284
	3,564,290	1,861,188	4,822,400	1,574,400	10,068,362	21,891,340
March 31/88	52	95	48	12	75	282
	2,159,625	2,462,245	4,590,300	1,509,500	9,768,235	20,489,905
March 31/89	46	95	21	14	58	234
	2,332,025	2,190,105	2,492,400	1,690,745	8,644,832	17,350,107
March 31/90	56	115	30	15	68	284
	2,842,952	2,660,713	2,938,606	1,993,434	10,020,537	20,456,242
March 31/91	44	49	21	14	106	234
	2,223,535	1,132,030	3,115,500	1,730,828	12,700,609	20,902,502
TOTAL	1,752	1,768	581	289	2,178	6,568
	51,928,259	23,639,684	41,445,017	25,907,211	118,607,529	261,527,700

STATEMENT OF LOAN FLOW

FOR THE PERIOD APRIL 1, 1990 — MARCH 31, 1991

AGRICULTURE CAPITAL LOANS		
Balance March 31, 1990		$16,877,593
Payments Received April 1/90 - March 31/91	$3,658,407	
Interest and Disbursements	4,429,395	
Balance March 31, 1991		17,648,581
FISHERIES & AQUACULTURE CAPITAL LOANS		
Balance March 31, 1990		6,871,267
Payments Received April 1/90 - March 31/91	1,874,002	
Interest and Disbursements	2,337,789	
Balance March 31, 1991		7,335,054
TOURISM CAPITAL LOANS		
Balance March 31, 1990		17,488,619
Payments Received April 1/90 - March 31/91	3,290,082	
Interest and Disbursements	3,971,665	
Balance March 31, 1991		18,170,202
SMALL BUSINESS LOANS		
Balance March 31, 1990		8,671,700
Payments Received April 1/90 - March 31/91	1,868,701	
Interest and Disbursements	2,415,736	
Balance March 31, 1991		9,218,735
WORKING CAPITAL CREDIT - ALL DIVISIONS		
Balance March 31, 1990		3,441,438
Payments Received April 1/90 - March 31/91	8,666,743	
Interest and Disbursements	8,193,000	
Balance March 31, 1991		2,967,695

STATEMENT OF LOANS WRITTEN-OFF AND RECOVERIES

FOR THE PERIOD ENDING MARCH 31, 1991

LOANS WRITTEN-OFF

Earl J. MacDonald Souris Line Road	$ 8,727
Albert Termeer St. Peters	39,156
*Evans Enterprises Limited (Kingsway Motel) Pooles Corner	506,683
Lin Don Lodgings Inc. (Inland Motel) Wilmot Valley	15,857
Allan MacKinnon Southampton, St. Peters R.R.#2	200
	570,623

RECOVERIES

Byrne Road Farms Morell R.R.#2	1,150

*INCLUDES:

Accumulated Interest	$133,248
Receiver & Legal Fees	31,894
Environmental Clean Up	15,000
Insurance Premiums	1,047

LOANS APPROVED / CLASSIFIED BY DIVISION AND RANGE

YEAR ENDING MARCH 31, 1991

Range	Agriculture	Fisheries & Aquaculture	Tourism	Small Business	Total
0 - 9,999	36	19	1	—	56
10,000 - 19,999	26	13	3	—	42
20,000 - 29,999	10	9	2	—	21
30,000 - 39,999	8	9	2	1	20
40,000 - 49,999	9	2	3	2	16
50,000 - 59,999	3	3	2	4	12
60,000 - 69,999	3	3	3	1	10
70,000 - 79,999	5	1	1	—	7
80,000 - 89,999	4	—	—	1	5
90,000 - 99,999	3	—	3	—	6
100,000 - 199,999	9	—	1	1	11
200,000 - 299,999	11	1	2	2	16
300,000 - 399,999	1	—	1	2	4
400,000 - 499,999	—	—	—	—	—
500,000 - 599,999	2	—	—	—	2
OVER 600,000	3	2	1	—	6
	133	62	25	14	234

COMPARISON OF LOANS APPROVED TO LOANS WRITTEN-OFF

APRIL 15, 1970 — MARCH 31, 1991

Year Ending	Total Loans Approved	Write-Offs	Percent of Total Loans	Recovery
March 31, 1971	2,443,180	—	—	—
March 31, 1972	2,988,075	172,698	5.78	—
March 31, 1973	3,080,310	150,000	4.87	16,928
March 31, 1974	3,466,926	150,425	4.34	18,477
March 31, 1975	4,633,612	56,719	1.22	23,077
March 31, 1976	4,506,394	61,693	1.36	8,801
March 31, 1977	6,557,263	54,125	0.83	38,167
March 31, 1978	6,235,619	50,000	0.08	18,796
March 31, 1979	9,391,021	22,671	0.24	38,048
March 31, 1980	12,042,716	50,000	0.41	13,198
March 31, 1981	15,364,767	18,667	0.12	37,078
March 31, 1982	11,462,487	—	—	2,692
March 31, 1983	17,810,070	14,871	0.08	15,846
March 31, 1984	27,289,092	134,418	0.49	5,363
March 31, 1985	15,494,931	234,593	1.50	22,408
March 31, 1986	17,671,141	395,958	2.24	1,242
March 31, 1987	21,891,340	136,351	0.06	500
March 31, 1988	20,489,905	657,005	3.20	653
March 31, 1989	17,350,107	564,530	3.25	40,965
March 31, 1990	20,456,242	623,326	3.04	27,294
March 31,1991	20,902,502	570,623	2.73	1,150
TOTALS	261,527,700	4,118,673	1.57	330,683

STAFF OF THE PRINCE EDWARD ISLAND LENDING AUTHORITY
AS OF MARCH 31, 1991

ADMINISTRATION

William M. Jay, A.C.I., S.C.C.E.	—	General Manager
Eric G. Wood	—	Administration Officer

AGRICULTURAL DIVISION

Gerald F. Gahan, M.C.I.	—	Manager
Anne E. Wood, B.B.A., M.C.I.	—	Loans Officer II
George G. MacCabe, M.C.I.	—	Loans Officer II
Donald C. Aitken	—	Loans Officer II
Michael F. Bradley, Ag. Tech.	—	Field Officer/Appraiser
J. Kevin Curley, B. Comm., M.C.I.	—	Field Officer/Appraiser
Hugh C. Campbell	—	Field Officer/Appraiser

FISHERIES AND AQUACULTURE DIVISION

D.W. (Dan) Smith, M.C.I.	—	Manager
J. Kenneth MacDonald, M.C.I.	—	Field Officer/Appraiser and Vessel Inspector

TOURISM AND SMALL BUSINESS DIVISION

Eric R. MacNeill, M.C.I.	—	Manager
Gerald B. Soy	—	Field Officer/Appraiser

SUPPORT STAFF

Daphne Andrews	—	Secretary to the General Manager
Nancy M. Lecky	—	Accounting Technician I
Elizabeth Macneill-Orr	—	Secretary
Alfreda Moase	—	Receptionist/Cashier/Clerk
Elva Myers	—	Secretary

CONSULTANTS TO MANAGEMENT

Consulting Engineer	—	Norman F. Stewart P. Eng., B.E. (Civil), M.E.I.C.

AUDITORS

Coopers & Lybrand, Chartered Accountants, Charlottetown, P.E.I.

Coopers & Lybrand

chartered accountants

PO Box 455
Confederation Court Building
Charlottetown PEI
C1A 7L1

telephone (902) 368-3100
telecopier (902) 566-5074

a member firm of
Coopers & Lybrand (International)

AUDITORS' REPORT

To the Board of Directors of the Prince Edward Island Lending Authority

We have audited the balance sheet of the Prince Edward Island Lending Authority as at March 31, 1991 and the statements of liability - Province of Prince Edward Island, interest income and expenses, and operating funds for the year then ended. These financial statements are the responsibility of the Lending Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Lending Authority as at March 31, 1991 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

Chartered Accountants
May 17, 1991

PRINCE EDWARD ISLAND LENDING AUTHORITY

Balance Sheet
As at March 31, 1991

	1991 $	1990 $
ASSETS		
Current Assets		
Cash	5,563,004	5,334,256
Accounts receivable	8,750	40,835
Short-term loans plus interest (Schedule A)	2,967,695	2,802,472
Recovery from Department of Agriculture - Province of Prince Edward Island (note 2)	125,931	497,923
Properties in inventory (note 3)	1,951,724	390,316
Sundry deposits	900	800
	10,618,004	9,066,602
Mortgage Loans Plus Accrued Interest (Schedule B)	51,065,657	51,645,969
	61,683,661	60,712,571
LIABILITIES		
Current Liabilities		
Payable to Department of Finance	5,383,462	5,341,052
Accrued liabilities	19,425	34,660
	5,402,887	5,375,712
Liability to Province of Prince Edward Island (note 4)	56,280,774	55,336,859
	61,683,661	60,712,571

SIGNED ON BEHALF OF THE BOARD

Vice-Chairperson

Secretary-Treasurer

PRINCE EDWARD ISLAND LENDING AUTHORITY

Statement of Liability - Province of Prince Edward Island
As at March 31, 1991

	1991 $	1990 $
BALANCE - BEGINNING OF YEAR	55,336,859	53,832,223
Add: Advances from Province	10,734,531	10,767,420
Interest on advances	6,980,956	6,726,206
Bad debts recovered	1,150	27,294
	73,053,496	71,353,143
Deduct: Payments made to Province	16,137,156	15,959,449
Excess of interest expense over interest income	98,943	32,476
Adjustment to provision for possible future losses on loans resulting from write-offs against the provision and changes in the loan portfolio balances	536,623	24,359
	16,772,722	16,016,284
BALANCE - END OF YEAR	56,280,774	55,336,859

PRINCE EDWARD ISLAND LENDING AUTHORITY

Statement of Interest Income and Expenses
For the Year Ended March 31, 1991

	1991 $	1990 $
Interest Income	6,885,035	6,698,423
Interest Expenses		
Bank	3,022	4,693
Province of Prince Edward Island	6,980,956	6,726,206
	6,983,978	6,730,899
EXCESS INTEREST EXPENSE FOR THE YEAR (note 5)	98,943	32,476

PRINCE EDWARD ISLAND LENDING AUTHORITY

Statement of Operating Funds
For the Year Ended March 31, 1991

	Budget Appropriation (Note 6) 1991 $	Actual 1991 $	Actual 1990 $
Operating Grant			
Initial appropriation	962,600		
Additional appropriation	22,200		
	984,800	984,145	935,726
Operating Expenses			
Salaries and wage levies	728,700	732,409	696,244
Rent - Office and office equipment	108,800	108,554	106,100
- Automobiles	16,700	16,627	15,894
Travel and field call expenses	24,400	23,350	14,341
Telephone	19,700	19,246	18,900
Professional fees	10,200	10,200	9,800
Directors fees and expenses	15,700	14,966	15,099
Office supplies	14,200	14,166	13,499
Insurance	600	600	600
Legal and collections costs	33,900	32,967	6,655
Repairs and maintenance	1,400	1,400	1,400
Furniture and equipment	300	-	26,400
Postage	5,200	5,204	4,994
Advertising	1,000	999	1,000
General expenses	3,000	2,582	3,070
Loan costs	1,000	875	1,730
	984,800	984,145	935,726
EXCESS FOR THE YEAR	-	-	-

PRINCE EDWARD ISLAND LENDING AUTHORITY

Notes to Financial Statements
For the Year Ended March 31, 1991

1. Accounting Policies

a. Asset valuation

(i) Loans are stated at cost less a provision for possible future losses based on the loss experience of prior years and local economic conditions.

The Authority has been using a provision calculated at 2.5% on the year end balances of the loans.

The Authority has a policy to give consideration to increasing the provision for possible future losses on loans arising as a result of changed economic conditions resulting in losses which would materially differ from those provided for under the normal provision calculated at 2.5%.

(ii) Fixed assets are expensed in the accounts of the Authority at the time they are acquired.

b. Interest income

The general policy of the Authority is not to record interest on those loans which are conside.ed doubtful. Although interest is not recorded in the accounts, the amount is calculated for collection purposes and maintained in a separate account for reporting purposes. The Authority departs from the general policy in those instances where it proceeds with formal legal action and accordingly records the outstanding interest in its accounts.

2. Recovery from Department of Agriculture - Province of Prince Edward Island

The Authority has agreed to administer the fur advance payment program for the provincial Department of Agriculture. The program consists of advances made to fur farmers on P.E.I. on which interest is calculated at current rates and charged monthly to the Department of Agriculture. On July 1, 1991, all outstanding amounts under the program will be paid by the Department of Agriculture.

3. Properties in Inventory

The inventory consists of farm and commercial properties taken by way of foreclosures and/or Quit Claim Deeds as a result of borrowers not complying with the terms and conditions of their loans. A provision for anticipated losses of $1,083,517 is included in the overall provision for mortgage loan losses (Schedule B) since the properties in inventory originated as mortgage loans. The properties in inventory will be disposed through public tender or alternate means.

PRINCE EDWARD ISLAND LENDING AUTHORITY

Notes to Financial Statements
For the Year Ended March 31, 1991

4. Liability to Province of Prince Edward Island

The liability to the Province is secured by the following debentures issued by the Authority to the Province at varying interest rates and redemption periods. The interest rate established on these debentures is determined by calculating the average of all loans made throughout the year.

	1991		1990	
%	Debenture Amount $	Term Remaining (Years)	Debenture Amount $	Term Remaining (Years)
16.75	5,376,573	11	5,548,499	12
10.25	584,397	8	630,327	9
10.50	467,901	8	504,261	9
11.00	232,263	8	249,909	9
11.00	75,014	8	80,713	9
10.25	446,415	7	488,767	8
10.00	326,705	7	358,012	8
10.38	550,117	6	614,108	7
13.25	3,290,210	5	3,736,788	6
11.00	6,734,531	5	-	-
11.00	4,000,000	5	-	-
12.75	1,754,715	4	2,077,196	5
12.375	6,883,363	4	7,067,420	5
12.375	3,493,896	4	3,700,000	5
11.875	3,514,077	3	3,770,656	4
11.875	7,056,048	3	7,283,050	4
10.25	63,453	3	80,803	4
11.00	16,741	3	21,254	4
10.50	2,069	3	2,630	4
10.25	8,661,839	3	9,023,748	4
10.00	91,500	2	131,121	3
10.25	28,071	2	40,173	3
10.75	7,209,654	1	7,557,801	2
10.38	24,883	1	47,433	2
10.00	-	-	6,239,617	1
Total of debentures	60,884,435		59,254,286	
Accounting adjustment for provision for losses on loans	4,603,661		3,917,427	
	56,280,774		55,336,859	

The aggregate principal payment made on the debentures on March 31, 1991 was $9,104,382.

The current and renewable portion of the liability to the Province of Prince Edward Island for the amount due or renewable within one year is $10,468,904 (1990 - $9,104,382).

PRINCE EDWARD ISLAND LENDING AUTHORITY

Notes to Financial Statements
For the Year Ended March 31, 1991

5. Excess Interest Expense

The excess interest expense for the year is due in part to a reduction in interest rates made in the fiscal year March 31, 1986 on those agriculture loans which carried a rate in excess of 14% for 5 years, 15% for 10 years and 15 1/2% for 20 years. The rate reduction decreased the interest income derived from loans without a corresponding decrease in interest expense which is paid to the Province on its debenture.

The excess interest expense is also due to paid out loans of customers where the corresponding debentures to the Province carrying higher than current interest rates remain in existence. In addition, the Authority's policy not to record interest income on non-performing loans causes excess interest expense.

6. Budget Appropriation

The amounts appearing under the budget column were not audited.

PRINCE EDWARD ISLAND LENDING AUTHORITY

Schedules of Short-Term Loans and Mortgage Loans Plus Interest
As at March 31, 1991

	Agriculture $	Fisheries & Aquaculture $	Tourist $	Small Business $	Total 1991 $	Total 1990 $
SCHEDULE A - SHORT-TERM LOANS						
Principal balances					3,112,298	2,942,373
Provision for possible future losses					144,603	139,901
					2,967,695	2,802,472
SCHEDULE B - MORTGAGE LOANS						
Mortgage loans assumed by Lending Authority -						
Principal and interest balance	110,653	-	-	-	110,653	168,985
Accrued interest	4,859	-	-	-	4,859	4,349
	115,512	-	-	-	115,512	173,334
Provision for possible future losses	2,887	-	-	-	2,887	4,333
	112,625	-	-	-	112,625	169,001
Mortgage loans transacted by Lending Authority -						
Principal balances and interest due	16,762,397	6,823,418	17,010,091	9,078,997	49,674,903	51,006,587
Accrued interest	886,184	511,636	1,160,111	139,738	2,697,669	1,927,177
	17,648,581	7,335,054	18,170,202	9,218,735	52,372,572	52,933,764
Provision for possible future losses	451,773	183,280	454,035	330,452	1,419,540	1,456,796
	17,196,808	7,151,774	17,716,167	8,888,283	50,953,032	51,476,968
	17,309,433	7,151,774	17,716,167	8,888,283	51,065,657	51,645,969

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Coopers & Lybrand